



BAC 7710-FW-P

POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2019-9; Order No. 5144]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal Four). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* August 26, 2019.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On July 9, 2019, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Four.

II. Proposal Four

Background. The Postal Service seeks to modify the costing methodology for the non-negotiated service agreement (NSA) portions of International Priority Airmail (IPA) and International Surface Airlift (ISAL) products. Petition, Proposal Four at 1. The Postal Service states that Proposal Four relates to the Commission's directive in the FY 2018 Annual Compliance Determination Report (FY 2018 ACD) for the Postal Service to "consider the proposed change in analytical principles for PRIME enhanced payments, to ensure that the proposed distribution does not allocate...NSA-specific costs to the non-NSA IPA product."² The Postal Service notes that although the FY 2018 ACD directive focused on IPA product, ISAL is calculated in a parallel manner. Petition, Proposal Four at 1. As such, the Postal Service proposes changes to the costing methodology for both the IPA and ISAL products. *Id.*

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), July 9, 2019 (Petition).

² *Id.* at 2. Docket No. ACR2018, Annual Compliance Determination Report, April 12, 2019, at 107 (FY 2018 ACD).

The Postal Service states that the current International Cost and Revenue Analysis (ICRA) model treats the non-NSA and NSA portions of IPA and ISAL as a single product (Total IPA and Total ISAL, respectively). *Id.* It is therefore unable to estimate the costs of the non-NSA portions of these products. *See id.* at 2-3.

Proposal. The Postal Service proposes to replace the Total IPA and Total ISAL data in its System for International Revenue and Volume, Outbound (SIRVO) sampling system. *Id.* at 3. The new SIRVO data would be input to the ICRA model with only the non-NSA portion of the IPA and ISAL product. *Id.* The previous module calculations would be removed, the model would be rerun, and terminal dues would be re-benchmarked to the General Ledger amounts. *Id.*

Rationale and impact. As the Commission noted in the FY 2018 ACD, the Postal Service's current methodology attributes too many costs to the non-NSA portion of IPA. FY 2018 ACD at 106-107. The Postal Service asserts that isolating the non-NSA portion of SIRVO for both IPA and ISAL will avoid attribution of NSA settlement expenses to the non-NSA portion of both products in the ICRA model. Petition, Proposal Four at 4.

The Postal Service states that the procedures proposed would more accurately reflect reduced unit costs and improved cost coverage for the non-NSA portions of both IPA and ISAL. *Id.* It also asserts that had the proposed methodology changes been in effect for FY 2018, revenues from the non-NSA portion of IPA would have covered its costs. *Id.*

III. Notice and Comment

The Commission establishes Docket No. RM2019-9 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's Web site at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Four no later than August 26, 2019. Pursuant to 39 U.S.C. 505, the Commission designates Katalin K. Clendenin as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2019-9 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), filed July 9, 2019.

2. Comments by interested persons in this proceeding are due no later than August 26, 2019.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Ruth Ann Abrams,

Acting Secretary.

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